

## Message Text

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14

ACTION COME-00

INFO OCT-01 NEA-10 ADP-00 EB-11 INT-08 L-03 CIAE-00 INR-09

NSAE-00 RSC-01 TRSE-00 OEP-01 AID-20 OPIC-12 OMB-01

RSR-01 /078 W

----- 059866

R 130940 Z MAR 73

FM USINT BAGHDAD

TO SECSTATE WASHDC 196

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMCONSUL DHAHRAN

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FOR COMMERCE ( BIC/ OED)

E. O. 11652: N/ A

TAGS: ENRG, ETRD, IZ

SUBJECT: COMMERCIAL OPPORTUNITIES IN IRAQI OIL SECTOR

1. SUMMARY: IRAQI- IPC SETTLEMENT OF FEBRUARY 28 HAS RESOLVED  
LEGAL PROBLEMS THAT CAUSED RELATIVE STAGNATION OF DEVELOPMENT  
IRAQI OIL SECTOR DURING PAST TEN YEARS. BOOM NOW EXPECTED.  
IRAQI EXPERIENCE WITH AMERICAN EQUIPMENT AND TECHNOLOGY AND IMPORT-  
ANCE GOI ATTACHES TO RAPID DEVELOPMENT OF RESERVES SHOULD GO LONG  
WAY TOWARD INSURING THAT AMERICAN COMPANIES AND PRODUCTS WILL NOT  
BE DISCRIMINATED AGAINST. NEVERTHELESS, POSSIBILITY OF MAKING  
SALES AND EXPLORATION CONTRACTS WILL PROBABLY BE ENHANCED IF U. S.  
SUPPLIERS OPERATE THROUGH FOREIGN SUBSIDIARIES, END SUMMARY.

2. REMOVAL OF LEGAL OBSTACLES AND IRAQ' S LARGE AND RELATIVELY  
UNDERDEVELOPED RESERVES PORTEND RUSH FOR EXPLORATION CONTRACTS  
AND BY SUPPLIERS TO PLAY ROLE IN DEVELOPMENT OIL SECTOR.  
VIRTUALLY ALL ELEMENTS OF OIL INDUSTRY WILL NEED TO  
BE SERVED EVENTUALLY, BUT FOLLOWING SEEM TO BE MOST  
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IMMEDIATE PROSPECTS:

3. BASRA PETRO

LEUM CO. EXPANSION FROM 34 MTA TO 80 MTA BY 1976  
WILL REQUIRE INVESTMENT OF ABOUT 200 MILLION DOLLARS, ALMOST  
ALL OF WHICH WILL BE MADE BY MIDDLE OF 1974. IN ADDITION TO NEW  
WELLS AND GATHERING SYSTEM, EXPANSION WILL INCLUDE NEW JETTY AND  
DREDGING OF BPC TERMINAL FACILITIES AT KHOR AL- AMAYA. BPC WILL  
PRESUMABLY RELY ON ITS TRADITIONAL SUPPLIERS AND I UNDERSTAND  
U. S. FIRM ( SANTA FE) WILL DO TERMINAL EXPANSION.

4. NEW INOC DEEP WATER TERMINAL. INOC PORT AT FAO IS ALREADY  
OPERATING AT CAPACITY AND CAY ONLY HANDLE TANKERS UP TO 35,000  
TONS. IT IS APPARENTLY NOT WORTH EXPANDING. ALTHOUGH KHOR AL- AMAYA  
COULD PROBABLY BE EXPANDED TO HANDLE INCREASE IN NORTH RUMAILA  
PRODUCTION INOC REPORTEDLY WANTS TO BUILD ITS OWN NEW DEEP WATER  
TERMINAL FOR POLITICAL REASONS. ONE LIKELY LOCATION IS KHOR  
ABDULLAH OFF UM QASR.

5. ALTHOUGH PROPOSED N- S PIPELINE MAKES LITTLE ECONOMIC SENSE  
SINCE IT IS CARRYING OIL AWAY FROM PRINCIPAL MARKET, INOC IS STILL  
TALKING ABOUT IT WITH FRENCH AND MIGHT DECIDE TO BUILD IT FOR  
POLITICAL REASONS. NEW PIPELINE TO MEDITERRANEAN THROUGH SYRIA  
OR TURKEY FROM NORTH RUMAILA HAS ALSO BEEN STUDIED BY  
S. N. PROGETTI.

6. VAST OPPORTUNITIES FOR EXPLORATION CONTRACTS SHOULD NOW  
EXIST, BUT TYPE OF FORMULA INOC WILL INSIST ON IS NOT YET  
CLEAR. MOST LIKELY POSSIBILITY IS PETROBRAS CONTRACT OF AUGUST  
1972 WHICH WAS SERVICE CONTRACT UNDER WHICH PETROBRAS TO CARRY  
OUT  
EXPLORATION FOR 7 YEARS AND EXPLOITATION FOR 20 YEARS  
IN RETURN FOR WHICH IT HAS RIGHT TO PURCHASE UP TO 20  
PERCENT OF ANY OIL PRODUCED AT PREFERENTIAL PRICE ( DETAILS IN MEES  
OF AUGUST 11, 1972). OTHER LEADING POSSIBILITY IS STRAIGHT  
SERVICE CONTRACT FOR INOC' S ACCOUNT.  
LOWRIE

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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COME  
DHAHRAN  
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